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One Hundred Seventeenth Congress
U.S. House of Representatives
Committee on Foreign Affairs
2170 Rayburn House Office Building
Washington, DC 20515
www.foreignaffairs.house.gov

November 30, 2021

The Honorable Dev Jagadesan
Acting Chief Executive Officer
U.S. International Development Finance Corporation
1100 New York Avenue NW
Washington, D.C. 20527

Dear Mr. Jagadesan,

We write to ask for clarity on the United States International Development Finance Corporation's (DFC's) plans to support U.S. private sector investment in Central and Eastern Europe. Since this Administration took office, we have sought confirmation on whether the DFC plans to proceed with supporting strategic projects in the region initiated by the former Administration. We are particularly concerned that the continued uncertainty on the DFC's posture toward Central and Eastern Europe is being interpreted as ambivalence by our allies and partners in the region. This perception is dangerous and being exploited by our adversaries in Moscow and Beijing. Therefore, we request timely and detailed answers to the below questions on the DFC's pledge to invest in the Three Seas Initiative, implementation of the European Energy Security and Diversification Act of 2019 (EESDA), and presence in Belgrade.

Three Seas Initiative

Launched in 2015, the Three Seas Initiative seeks to address the gaps in Central and Eastern Europe on infrastructure, energy, and digital interconnectivity that have left much of the region overly dependent on Russian energy and predatory investments by the People's Republic of China (PRC). To support this regional initiative, the Trump Administration in February 2020 announced that it would invest up to \$1 billion through the DFC in the Three Seas Initiative Investment Fund.^[1] It is our understanding that the first \$300 million tranche of this pledge was unanimously approved by the DFC's Board of Directors on December 10, 2020. Yet, almost a year later, this pledged investment has yet to be fulfilled.

To better understand the DFC's position on this issue, please provide the following documents and information as well as answer the following questions:

- Is the DFC re-litigating the unanimous decision by its Board of Directors to approve the \$300 million investment in the Three Seas Initiative Investment Fund? If so, why and why is it taking so long?
- It is our understanding DFC's Funds Team negotiated a subsidy rate for the DFC's levered product for this investment and was negotiating the cost of making the \$300 million investment in Euros with OMB. Is this true? Please provide a detailed description with dates of the steps DFC has taken since December 10, 2020 to complete its negotiations with OMB on subsidy and currency exchange rates in order to proceed with the \$300 million investment of DFC's levered product in the Three Seas Investment Fund.
- It is our understanding the DFC's former CEO signed policy guidance that was cleared by the DFC's legal department for the implementation of the expanded authorities under the EESDA. This guidance in turn provided the legal basis for the Board of Directors' unanimous approval of the \$300 million investment in the Three Seas Investment Fund. Please provide a copy of the policy guidance signed by DFC's CEO on the implementation of the EESDA.
- Is the DFC's legal department reevaluating the aforementioned policy guidance and the legal basis it provided for the \$300 million investment in the Three Seas Investment Fund? If so, why?
- It is our understanding the DFC's Board of Directors approved the use of the DFC's levered debt product because the DFC did not have sufficient equity funds and because the DFC's Investment Funds Division assessed investing the DFC's senior debt product was not a viable option for an equity fund like the Three Seas Investment Fund. Has the DFC continued to contemplate and/or offer its senior debt product for the Three Seas Investment Fund? If so, please explain why and what the responses have been from the Three Seas Investment Fund.
- It is our understanding that the Three Seas members, including development banks in member countries, have pledged the Euro equivalent of over \$1 billion in equity into the Three Seas Investment Fund. As such, the \$300 million investment pledge should fit within the DFC's threshold for what percentage of a total project the DFC can invest into equity. Does the DFC have a different calculation that it perceives to place the \$300 million investment outside of its mandated equity caps?
- What specific steps is the DFC currently taking to coordinate the review and implementation of this strategic investment with the State Department and U.S. embassies in Three Seas countries?
- Have officials from the Three Seas countries advocated to the DFC or State Department for the DFC to continue to support this investment using a levered debt product since the Biden Administration came to office?
- Have any other Three Seas members or development banks in member states restricted their commitments to the Fund to certain types of projects?
- What Russian and CCP malign influence efforts in the Three Seas countries could the \$300 million investment be used to counter?

European Energy Security

The Putin regime is actively weaponizing global natural gas shortages to the detriment of European energy security. The European Energy Security and Diversification Act of 2019 provided the DFC with the authorities to help Europe diversify its energy supply in order to loosen Vladimir Putin's dangerous grip on the region. Toward this end, during the last Administration, the DFC expressed interest in supporting strategic energy projects in Greece that laid the groundwork to supply LNG from the United States and West Africa to Greece, Bulgaria and the Western Balkans. Those projects included the energy hub at Elefsina, the floating LNG terminal at Alexandroupoli and the offshore gas storage facility at Kavala which together would allow Greece to significantly decrease its reliance on natural gas imports from Russia and position Greece as an alternative provider of non-Russian gas to the Western Balkans.

To better understand the DFC's position on this issue, please provide the following documents and information as well as answer the following questions:

- We are aware that the DFC informed the Government of Greece on June 26, 2020 of its interest in supporting the establishment of energy hubs at Elefsina, Alexandroupoli and Kavala to support the transshipment of U.S. and West African LNG to Greece, Bulgaria and the Western Balkans. Please provide a detailed description of the steps the DFC is currently taking to review the applications it has received with regard to Elefsina, Alexandroupoli, and Kavala.
- Does the DFC and State Department still assess that the projects at Elefsina, Alexandroupoli, and Kavala would contribute to European energy security?
- It is our understanding the DFC's former CEO signed policy guidance cleared by the DFC's legal department for the implementation of the expanded authorities under the EESDA. This guidance in turn provides the legal basis for engaging in the aforementioned strategic energy projects in Greece. Is the DFC's legal department reevaluating this policy guidance and the legal basis it provided for these projects in Greece? If so, why?
- Is Russia or the PRC competing in tenders to control these three hubs? If so, what is the DFC doing to position American private sector companies to win over Russian and/or Chinese competition?
- What specific steps is the DFC currently taking to coordinate the review and implementation of these strategic investments with the State Department and the U.S. embassy in Athens?
- Have officials in Greece and the Western Balkans advocated for the DFC to continue to support these strategic projects pursuant to the EESDA since the Biden Administration came to office?

DFC Presence in Belgrade

In September 2020, the DFC established its first regional office in Belgrade to service the Western Balkans and Aegean. We are concerned that the DFC is rethinking this presence and has yet to fully staff the office in Belgrade. Our allies and partners in the region, including Greece, strongly supported this presence and the signal it sent about sustained U.S. interest in the region.

Moreover, there is a clear strategic need for private sector investment in the region to ensure corrosive capital from the Chinese Communist Party (CCP) and dependence on Russian energy does not undermine the Western Balkans' Euro-Atlantic integration. As such, we welcomed Deputy Assistant Secretary Gabriel Escobar's expression of enthusiasm for what continued engagement from the DFC could offer the region at a recent House Foreign Affairs subcommittee hearing on the Western Balkans.

To better understand the DFC's position on this issue, please provide the following documents and information as well as answer the following questions:

- Does the DFC assess it is in the foreign policy interest of the United States to promote U.S. private sector investment in trusted connectivity and high-standards infrastructure in the Western Balkans and Aegean to counter malign Russian and CCP influence?
- Has the DFC, in coordination with the State Department, seriously considered the message it would send to the region if it reversed the September 2020 decision to open a DFC office in Belgrade?
- What specific steps is the DFC currently taking to coordinate the review of the DFC presence in Belgrade with the State Department, the U.S. embassy in Athens and the U.S. embassies in the Western Balkans?
- Have officials in Greece and the Western Balkans advocated for the DFC to continue to support and fully staff the DFC presence in Belgrade?

We are fully supportive of the mission that the DFC was mandated to undertake to both pursue projects that are developmental and advance the foreign policy interests of the United States. While the DFC should continue to generally prioritize projects in lower-income countries, we believe continued support for U.S. private sector investment in Central and Eastern Europe, including as authorized by the EESDA, is a national security imperative in the current era of great power competition.

We appreciate your attention to this matter and request a response to the above requests for information and questions be delivered no later than December 14, 2021.

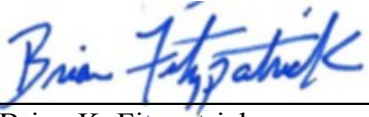
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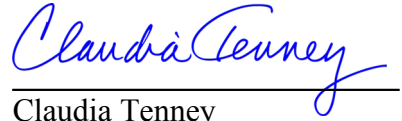
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